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Message Text

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64
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E.O. 11652: N/A
TAGS: EAIR, UK
SUBJ: NATIONALIZATION OF UK AEROSPACE INDUSTRY

1. SECRETARY FOR INDUSTRY, WEDGEWOOD BENN, ANNOUNCED IN PARLIAMENT JAN 15 PUBLICATION OF GOVERNMENT'S "CONSULTATIVE DOCUMENT" ON NATIONALIZATION IN THE UK AEROSPACE INDUSTRY. BENN RECALLED IT HAD BEEN ANNOUNCED IN THE QUEEN'S SPEECH ON OPENING OF NEW PARLIAMENT THAT LABOUR GOVERNMENT WOULD INTRODUCE LEGISLATION THIS SESSION TO BRING AIRCRAFT INDUSTRY INTO PUBLIC OWNERSHIP; HE SAID HE PLANS TO INTRODUCE A BILL IN GOOD TIME FOR PASSAGE THIS SESSION.

2. NEW AIRCRAFT CORPORATION OF GREAT BRITAIN (ACGB) WILL INCLUDE "ANY COMPANY IN UK WHICH CARRIES ON BUSINESS OF DEVELOPING AND MANUFACTURING COMPLETE AIRCRAFT OR GUIDED WEAPONS (BUT NOT INCLUDING HELICOPTERS) WHOSE TURNOVER IN LATEST FINANCIAL YEAR EXCEEDS 20 MILLION POUNDS. IN THIS
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CATEGORY ARE THE BRITISH AIRCRAFT CORPORATION, HAWKER

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SIDDELEY AVIATION AND HAWKER SIDDELEY DYNAMICS. EXCLUDED ARE FOUR MINOR COMPANIES, WESTLAND (HELICOPTERS); SHORT BROTHERS AND HARLAND OF BELFAST (ALREADY 85 PERCENT GOVERNMENT OWNED); FAIREY-BRITTEN-NORMAN; AND SCOTTISH AVIATION OF PRESTWICK. THE THREE COMPANIES TAKEN INTO THE NEW CORPORATION EMPLOY OVER 60,000 AND ACCOUNT FOR ABOUT 80 PERCENT OF THE TURNOVER OF THE AIRFRAME AND GUIDED WEAPONS INDUSTRY. FAIR COMPENSATION IS TO BE PAID BY GOVERNMENT ALTHOUGH DETAILS OF PAYMENT WERE NOT DESCRIBED. THE CORPORATION WILL COME WITHIN THE SCOPE OF THE PLANNING AGREEMENT SYSTEM PROPOSED BY THE GOVERNMENT. IT WILL BE SEPARATE FROM THE PROPOSED NATIONAL ENTERPRISE BOARD AND WILL BE DIRECTLY ANSWERABLE TO MR. BENN. FINANCING IS TO BE PROVIDED BY LOANS ON NORMAL TERMS FROM THE NATIONAL LOANS FUND AND BY PUBLIC DIVIDEND CAPITAL, IN THE FORM OF GOVERNMENT EQUITIES USUALLY MADE AVAILABLE TO NATIONALIZED INDUSTRIES.

3. DEPARTMENT OF INDUSTRY OFFICIAL TOLD EMBOFF THAT BILL TO NATIONALIZE IS EXPECTED TO REACH SECOND READING STAGE BY EARLY APRIL. AT THAT TIME, GOVERNMENT WILL SET UP ORGANIZING COMMITTEE CONSISTING OF CHAIRMAN-DESIGNATE AND NUCLEUS OF OTHER MEMBERS OF THE NEW ACGB TO WORK OUT POLICY AND PLANS FOR NEW ORGANIZATION. THE NATIONALIZATION BILL, WHEN INTRODUCED WILL CONTAIN THE TERMS AND CONDITIONS OF COMPENSATION BUT IT WOULD BE REASONABLE TO EXPECT THAT SOME HARD BARGAINING WILL TAKE PLACE BETWEEN GOVERNMENT AND THE COMPANIES INVOLVED OVER PROPER VALUATION OF COMPENSATION.

4. JUDGING FROM SHOUTING MATCH BETWEEN LABOUR AND CONSERVATIVE MPS FOLLOWING THE BENN ANNOUNCEMENT, THE FIGHT OVER PUBLIC OWNERSHIP OF THE AIRCRAFT INDUSTRY PROMISES TO BE THE MOST BITTER SINCE THE NATIONALIZATION OF THE STEEL INDUSTRY IN 1967. CONSERVATIVE LEADER HEATH SAID THAT THE LEGISLATION NECESSARY "WOULD BE OPPOSED BY THE CONSERVATIVE PARTY BY EVERY PARLIAMENTARY PROCEDURE UNDER OUR CONTROL".

6. COMMENT: WHILE THE CONSERVATIVES OBJECT STRONGLY TO
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THE LABOUR GOVERNMENT'S PLAN TO NATIONALIZE THE AEROSPACE INDUSTRY, THERE IS GENERAL AGREEMENT THAT SOME MERGER OF THE MANUFACTURERS IS NEEDED TO GIVE THE UK INDUSTRY AN OPPORTUNITY TO COMPETE MORE SUCCESSFULLY WITH ITS FOREIGN COUNTERPARTS MOST NOTABLY THE US AIRCRAFT INDUSTRY. WHETHER OR NOT THE ECONOMIES OF SCALE OF THE NEW ACGB AND MORE RELIABLE FINANCIAL BACKING WHICH CAN BE PROVIDED BY THE GOVERNMENT WILL BE SUFFICIENT TO MAKE THE INDUSTRY

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VIABLE IN THE DEPRESSED AND UNCERTAIN CONDITIONS CREATED
IN THE AIRCRAFT SALES FIELD SINCE THE OIL PRICE INCREASES,
IS NOT AT ALL CERTAIN.

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